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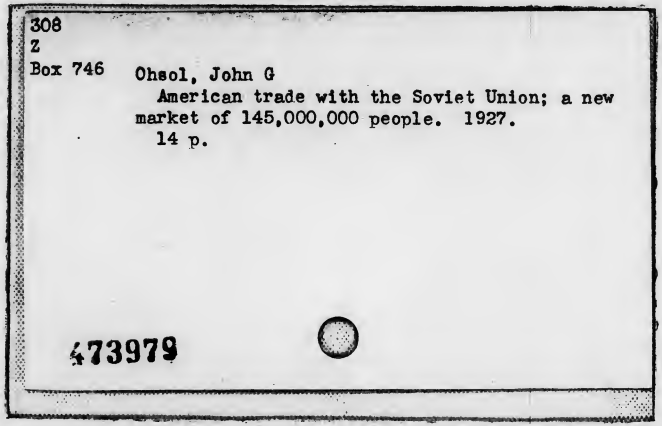

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AMERICAN TRADE
WITH THE
SOVIET UNION

A New Market of
145,000,000 People

BY
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May, 1927

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AMERICAN TRADE WITH THE SOVIET UNION

A NEW MARKET OF 145,000,000 PEOPLE

By JOHN G. OHSOL

Vice-President, Amtorg Trading Corporation

In considering trade with any foreign country the American business man wants to know something of the background of that country, the state of its development, its needs, and the conditions under which trade can be developed.

In the case of the Soviet Union these matters are of particular importance because here we have a country with a land area two and one-half times the size of the United States, a country with 145,000,000 inhabitants, a country with the richest and most diversified undeveloped natural resources of any country in the world. Potentially the Soviet Union is of the utmost importance as a market.

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Our first consideration, therefore, is to determine whether the country is on the up-grade or the down-grade—whether it is coming or going.

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The destruction of man power and capital resources in Russia during the World War and civil wars was enormous. In the World War Russia lost more men than any other of the belligerents. During the World War and the civil wars one-fourth of the railway mileage was destroyed and ruin among the industries was general. Agriculture was completely disrupted. Much territory was lost to Russia through the creation of new border states.

By the close of 1921 the rate of industrial output had fallen to 15 per cent of that of 1913.

Reconstruction was hampered by a great lack of fixed capital. It was further handicapped by a severe drought in 1921, which caused a famine and wide-spread loss of livestock in the most fertile regions, and a poor harvest in 1924, due to bad weather conditions. Despite these discouraging factors, the progress of recovery steadily gathered momentum.

Year by year the area under cultivation increased. Last summer the area under grain cultivation was close to pre-war and the grain harvest was about equal to that of 1913, a normal pre-war year. The so-called technical crops surpassed the pre-war figure, with the exception of cotton and sugar beets. Most of the Russian sugar beet factories were in territory lost at the close of the war, but the crop and output last year reached about 65 per cent of pre-war. Adverse weather conditions held the cotton crop down to 770,000 bales, about 80 per cent of pre-war.

By the fall of 1926 the industries of the Soviet Union had progressed so far that the pre-war rate of production was surpassed. During the Soviet fiscal year 1925-26, ending September 30 last, the industrial output increased 42 per cent over the preceding year. During 1924-5 it had increased 62 per cent.

Our firm has just received the official figures of output for the principal industries for the first six months of the current Soviet fiscal year, the period from Oct. 1, 1926 to March 31, 1927.

The coal output for the period, totalling 16,690,000 metric tons, was 17.7 per cent greater than for the same period of 1913 and 35.3 per cent greater than last year.

The oil output of 4,926,089 metric tons was 10 per cent greater than for the same period of 1913, and 30.2 per cent greater than last year. Oil exports were nearly double those of the same period of 1913.

Production of pig iron, 1,431,301 metric tons, was about 70 per cent of the same period of 1913, and an increase of 40 per cent over last year. Machine construction was over 30 per cent above pre-war.

The total output of all industries in March was 11 per cent above the monthly average for 1913.

The foreign trade of the Soviet Union for the first six months of the current Soviet fiscal year gave a favorable balance of 63.7 million dollars as against an unfavorable balance of 40.2 million dollars for the same period a year ago.

The railway mileage at the beginning of 1927 was about 4,000 miles greater than that of 1913. Both freight and passenger traffic exceeded that of 1913 during the past fiscal year. At the

end of 1919 there were hardly 4,000 good order locomotives in the whole country. By last fall there were 18,750 locomotives, of which about 60 per cent were in good order.

Currency reform was accomplished three years ago, when the return to a gold basis was effected. The Soviet Union was the first of the larger countries in Europe to re-establish its currency on the basis of gold. The Soviet budget has balanced for the past three years.

Particularly notable have been the advances in electrification. The Soviet Union's undeveloped hydro-electric resources are estimated at 65,000,000 horse power. The country has always been deplorably backward in the development of electric power. Ten years ago there was only one power plant of 20,000 kw. in the whole country. During the past few years a comprehensive plan of regional power plants has been put under way.

Already a dozen plants, ranging up to 56,000 kilowatts capacity, are in operation under this plan. During the current year four new regional plants with a capacity of 80,000 kilowatts will be put in operation and the capacity of the larger plants now in existence will be increased by 100,000 kw.

The most ambitious project is the plant to be built on the Dnieper River, which will supply power to the whole southern mining district of the Soviet Union. This plant, with an ultimate capacity of 650,000 horse power, will be even larger than the Muscle Shoals. Our firm recently received advices that preparatory work had already been started. The chief consulting engineer is that leading American authority, Col. Hugh L. Cooper, the builder of Muscle Shoals. I had the pleasure of visiting the site of the Dnieper project with Col. Cooper last winter. There is a good American word called "hustle" which has been much abused, but I can assure you that before Col. Cooper had been in action very long all the Russians who were in contact with him had a living example of the meaning of that word in the fullest degree.

I have cited these various developments merely to give you a picture of what is going on in that country. In respect to the development of natural resources it stands about where the United States stood half a century or more ago. But it is a country determined to develop its resources and eager to acquire the skill

and technique and to learn from the general experience of more advanced countries. The revolution released a great fund of energy and ambition in the population. There is no doubt of that. The country is advancing economically with great rapidity and the consumption demands of the population are rapidly growing.

This is especially true of the agricultural population, which forms about 80 per cent of the total. Take one item only. Before the war the farmers paid over in rentals a sum estimated at $750,000,000 annually to landlords who for the most part lived abroad and spent the money in Paris and other foreign capitals. At the present time this money remains at home and is expended at home. This change is one important reason why, despite the rapid expansion of Soviet industries, the factories cannot keep up with the demand.

Now to treat of American trade with the Soviet Union.

American trade with Russia in 1913 amounted to $48,000,000. During the fiscal year 1923-24 it was $54,000,000. In 1924-25 it was $118,000,000. In 1925-26 it was $79,000,000. In other words, the value of the trade during the past two years has been double the pre-war value. In 1924-25 American exports to the Soviet Union were $103,000,000 and for 1925-26 they were $62,900,000.

Before the war Germany furnished over 50 per cent of Russian imports. At the close of the war she was not in a position to maintain this premier place. The United States benefited by this condition. Whether American exporters can retain and extend their advantage depends largely on circumstances. The Germans are fighting hard to recover their position. During 1925-26 American exports to the Soviet Union decreased 40 per cent, as compared with the previous year, while German exports to the Soviet Union increased 70 per cent.

The credit situation was responsible for the change. In Germany a credit of 380,000,000 gold marks for Soviet trade was established under the auspices of the German Government, and became available in long-term credits of from two to four years. The Germans understood the necessity for such credits in view of conditions that obtained in the Soviet Union, and they shaped their credits to meet the conditions, with a consequent gain in their trade turnover.

The principal item of export to the Soviet Union is American cotton. The All-Russian Textile Syndicate of New York, purchasing for the textile industry of the Soviet Union, has bought and shipped cotton valued at $150,000,000 since its formation three and a half years ago. Next in importance come agricultural machinery and industrial machinery. Last year the United States shipped agricultural machinery valued at $8,500,000 and industrial machinery worth nearly $7,000,000.

Among agricultural implements, tractors are the most important item and last year the value of American tractor exports to the Soviet Union was upward of $6,000,000. During the past three years Amtorg has shipped to the Soviet Union 27,000 tractors, which are now in use on the farms. It is interesting to note that ten years ago there were hardly 500 tractors on farms in the entire Russian Empire.

The principal exports to the United States from the Soviet Union are furs, manganese, flax and tow, sheep casings, bristles, hides and skins, licorice root.

Some details with regard to the trade between the two countries as carried on through the agency of the Amtorg will not be without interest.

The Amtorg Trading Corporation was formed in May, 1924. It is a corporation organized under the laws of the State of New York, with a capital of $1,500,000, and it is authorized to represent in American trade the principal trading organizations and industrial syndicates of the Soviet Union, with the exception of the Textile Syndicate and the cooperatives.

During the past three years, from May 1, 1924, to May 1, 1927, Amtorg's export business consisted of the following items:

1. Raw Materials (mainly Non-ferrous Metals) $5,131,406.23
2. Semi-manufactured products (Chemicals, Sheet Iron, Abrasives, etc.) 921,478.02
3. Machinery and Factory Equipment 16,912,123.13

   Mainly for:

Mining Industry	1,225,524.00
Petroleum Industry	4,943,104.91
Metal Industry	7,224,681.69
Electrical Industries	1,175,746.35
Glass and Pottery Works	875,638.23
Building Industries	520,489.73
Textile Industries	285,777.57
Laboratory Equipment	450,412.37
Other branches	210,748.28

4. Agricultural Implements 16,137,983.75
Including:
Agricultural Machinery and Tractors..... 15,687,761.45
Breeding Animals 201,600.19
Binder Twine 184,951.25
Various Agricultural Supplies..... 63,870.87

5. Automotive Machinery (Automobiles, Trucks, Motorcycles).... 2,752,284.44
6. Consumers' goods and office equipment..... 23,422,039.63

$65,277,315.20

The above table shows that almost 25 per cent of the Soviet Union imports from the U. S. A. consisted of agricultural machinery. This shows a healthy trend of the Soviet trade policy calculated to rehabilitate first the country's agriculture and thus to increase the purchasing power of the farming population, who are the chief consumers of the industrial products. About 25 per cent of the imports consists of machinery and other factory equipment for use of the following Soviet industries:

Machinery Construction Plants—lathes, milling machines, presses and special metal working equipment.

Oil Industry—oil well machinery, especially diamond drills and also equipment for oil refineries.

Mining—cutting machines and other machinery to modernize and supply mechanical equipment for non-ferrous mines, dredging machinery, steam shovels and flotation machines, perforators, compressors, pneumatic and loading machines, filters, pumps, conveyers, electric hoists, electric locomotives and other mining equipment.

Glass and Pottery Industry—complete equipment for the production of bottles, brick burning ovens, automatic machinery for the production of kitchenware, gas generators, elevators, conveyers, etc.

Electrical Industry—transformers and equipment for high voltage sub-stations, mining and factory locomotives and electric motors for special purposes.

Building Industry—excavators, cranes, elevators, hoists, concrete mixers, road graders, construction derricks, stone, crushers and other equipment.

Textile Industry—equipment for cotton ginning plants, also machinery for spinning, winding and warping and looms.

Fish Canneries—canning machinery.

Tractors and other agricultural machinery for grain and cotton cultivation as well as for industrial purposes.

Perhaps it would be in order to state that the United States has not fully utilized the Soviet Union market as regards agricultural machinery. This can best be shown by the following table showing the agricultural machinery imports into the Soviet Union from European countries as compared with imports from the United States during the last normal pre-war year 1913 and the past year—1925-26—for which the data are available (in thousands of dollars and percentages):

	1913				1925-26			
	Total Imports	England	Germany	U.S.A.	Total Imports	England	Germany	U.S.A.
		Percentages				Percentages		
Mowers	2549	6.7	16.7	28.7	1884	.....	71.2	9.6
Plows	2254	2.5	89.7	1.5	3260	.....	63.1	1.3
Straw Cutters	1832	51.6	40.7	0.2	570	.....	93.8	0.4
Reapers	1828	15.0	4.4	51.2	51	.....	49.3	1.1
Drills	1669	5.2	12.0	67.1	1710	0.3	18.7	13.15
Threshers	1231	21.7	23.8	3.4	959	11.31	69.8	2.4
Binders	1158	25.2	16.4	43.7	467	.....	55.7	44.3
Hay Tedders and Rakes	1146	15.4	11.3	22.1	925	0.2	77.3	6.7
Grain Cleaners and Graders	444	11.0	44.0	....	164	.....	74.4	0.1

The United States has reached its pre-war position only as regards binders. With respect to other agricultural machinery Germany has taken the lead in the Soviet market, whereas the United States has shifted to second and in some instances even to third place. This happened notwithstanding that American machinery as regards price and working type is better adapted to Russian agricultural conditions than German made machinery. The only reason why Germany has taken the lead in the Soviet Union imports is because she has been able to offer better credit terms to the Soviet Union buyers of agricultural machinery.

As far as tractors are concerned, the United States has taken the lead far ahead of any other country, as shown by the following figures:

IMPORTS OF TRACTORS INTO U. S. S. R.

(In millions of Dollars)

	1923-24	1924-25	1925-26
Total Value Imported	0.3	4.05	5.75
Value of Tractors Imported from the U.S.	....	4.0	5.6
Per Cent Imported from the U. S.	....	98.8%	97.0%

In the near future the Soviet Union contemplates the importation of the following items from the United States, provided satisfactory credit terms can be arranged:

Paper making machinery and equipment; refrigerators; equipment for iron mines and for non-ferrous metallurgical plants; machinery for the mechanization of the building industry and for road making; equipment for textile factories (cotton and wool); equipment for food industries such as canneries, bakeries, grain elevators and flour mills; equipment for the clothing industry, the leather industry, the shoe and rubber industries.

There are good opportunities for the importation of various milling machinery such as lathes, presses and steam hammers; equipment for use in wood working plants, viz.: saws, lathes and wood cutters; equipment for the mechanization of new mines and quarries; automotive machinery; agricultural machinery including tractors; non-ferrous metals, etc.

Large purchases are contemplated for the equipping of new factories and plants, among which the following may be mentioned:

Agricultural machinery works in Rostov-on-Don, electromotor works in Leningrad and metallurgical works and rolling mills in the Donetz Basin; paper mill in Balakhna; bottle and plate glass works in Nizhny Novgorod and Kiev; textile mills in Ivanovo-Voznesensk, Vladimir and Moscow; large power stations in a number of places, including Moscow and suburbs, Kharkoff and Nizhny Novgorod; new coal mines in the Donetz Basin, and in the Kizelov Basin in Siberia, which are being built with the aid of American and European engineers; equipment for the extension of the tractor departments of the Putilov and Kharkoff machinery works; machinery for the mechanization of the iron ore mines in the Ukraine, of the non-ferrous metal mines in the Altai mountains; finally for the Dnieporstroy hydro-electric power station to be erected on the Dnieper River with an ultimate capacity of 650,000 hp.

Soviet Union exports to the U. S. in millions of dollars during the last normal pre-war year (1913) and the last two years were as follows:

	In Millions of Dollars		
	1913	1924-25	1925-26
Lumber Products	0.2	0.03	0.049
Licorice Root	.9	0.089	0.587
Furs	.8	4.318	3.206
Hides	2.9	0.114	0.025
Sheep Casings	...	1.754	1.579
Ores (including Manganese Ore)	0.8	3.057	4.993
Flax and Tow	...	0.203	0.317
Bristles	0.003	0.403	0.677
TOTAL (including smaller items)	7.1	14.1	15.4

The above table shows that furs lead all other exports. This item has grown four-fold in 1924-25 as compared with pre-war years, although for 1925-26 a slight setback is shown. Second in importance among Soviet exports to the United States is manganese ore, which has grown five-fold as compared with pre-war. Third place is held by sheep casings, which, prior to the war, did not figure among articles directly shipped to the United States. Likewise direct bristle exports have increased considerably.

Hides, on the other hand, show a large decrease as compared with pre-war; likewise the exports of licorice have diminished. Flax exports constitute a new item; prior to the war Russian flax, just like bristles, reached the United States either by way of England or of Germany—at the present time this trade is carried on direct.

The Soviet Union continues its upward industrial development. A whole series of government measures enacted since 1921 have created favorable conditions for the normal economic development of the country. While the large industries are owned and operated by the state trusts and their output sold in most instances by syndicates (*), some opportunity is left for private initiative and enterprise. Should American capital decide to apply itself in the industrial field within the Soviet Union we venture to say that it will find profitable application and a wide enough sphere for its energies. Any difficulties which may be

*A list of syndicates is given in the appendix.

encountered in this respect are quite insignificant when compared with the vast opportunities of profitable employment in case of closer economic collaboration between the two countries.

It is to be hoped that the day is not far distant when closer and more friendly economic relations will be established between the Soviet Union and the United States to the mutual advantage of both countries.

APPENDIX

LIST OF SYNDICATES, CONVENTIONS AND COUNCILS OF CONGRESSES OF THE STATE INDUSTRIES IN THE U. S. S. R.

Metal Industry

I. Syndicates	1. Metalsyndicate 2. Uralmet (United Ural metal enterprises) 3. Selmashsyndicate (Syndicate of agricultural machinery trusts)
II. Conventions	1. Convention of Metalsyndicates

Mining Industry

I. Syndicates	1. Oil syndicate 2. Salt syndicate

Chemical Industry

I. Syndicates	1. Prodasilicate (Sales promotion syndicate of products of silicate industries) 2. Syndicate of match industry
II. Councils of Congresses	1. Council of Congresses of basic chemical industries

Textile Industry

I. Syndicates	1. All-Union Textile Syndicate

Leather Industry

I. Syndicates	1. Leather syndicate

Lumber Industry

I. Syndicates	1. Lumber export syndicate 2. Syndicate of domestic lumber trade
II. Councils of Congresses	1. Council of Lumber Trusts

Paper Industry

I. Councils of Congresses	1. Board of Congresses of paper industry

Printing Industry

I. Councils of Congresses	1. Board of Congresses of Polygraphic industries

Food Industry

I. Syndicates	1. Animal and vegetable oils and fats syndicate 2. Starch syndicate 3. Canning Syndicate 4. Fish Syndicate
II. Conventions	1. Convention of distilling industries
III. Councils of Congresses	1. Board of Congresses of yeast industry 2. Board of Congresses of tobacco industry

Building Industry

1. Strombureau (Bureau of sales of building materials)

LIST OF ENTERPRISES HAVING AN ALL-UNION SIGNIFICANCE

I. National Defense

Association of the National Defense Industries (Voyenprom)

II. Metal Industry

State Association of Metal
Southsteel (Yugostal)
Perm Trust
South Ural Trust
Leningrad Machine-Construct. Trust
South Machine-Constructing Trust
Leningrad Shipbuilding Trust
Tzugaz (Autotrust)
State Aviation Trust
Uralcopper
State Association of Non-ferrous Metals
Abbassar non-ferous metal Trust
State Association of Altay-Kazak Polymetal Industry
State Association "Transcaucasian Copper"
Works "Krasny Octiabr", former Dium in Stalingrad.
Fokin (former Maltzev) Works
Leningrad Optical Works with a department of precision instruments
State Sewing Machine Trust
Electrosteel Trust

III. Mining Industry

A. Gold and Platinum Industries

Aldangold
Uralplatinum
Lengold (given on concession)

B. Other Mining Industries

Magnesite works
Uralasbestos
Russian precious stones

IV. Fuel Industries

A. Coal Industry

Donugol	Cheremkhovsky basin Moscowugol

B. Oil Industry

Azneft	Grozneft.
Embaneft	

V. Lumber Industry

Severoles	Sevzaples
Dvinoles	Plywoodtrust

VI. Chemical Industries

Rubbertrust	Varnishpaint
North Chemical Trust	Anilintrust
Trading Corporation "Coksobenzol"	Acetomethyl
	Gosmedtorgprom

VII. Paper Industry

Centrobumtrust

VIII. Textile Industries

A. Cotton Industry

Vadim-Alexandrov. trust	Leningrad Textile Trust
Moscow Association of Cotton Factories	Egor. Ramen .trust
	Bogor. Schelkov. trust
Krasno-Presn. trust	Ivanovo-Voznes. trust
Yaroslav. trust	Orekhovo-Zuyev. trust
Kovrov. trust	Tver. trust
Serpukhov. trust	

B. Woolen Industry

Uliyanov. cloth trust	Mossukno (Moscow cloth)
Tambov. cloth trust	Kamvol. trust
Penza. cloth trust	

C. Flax Industry

1st Flax Board	Autonom. factory "RALLO"
2nd Flax Board	

D. Hemp Industry

Leningrad hemp trust

E. Silk Industry

"Silk" Board

F. Card and Healds and Heedls

Card Board	"Bukharin's" Healds and Heddls factory

IX. Food Industry

Tea Board	Sugartrust
Central office of alcohol industry	

X. Electrical Industry

State Electrical Trust (GET)	Association of Storage Battery Workers
Low tension trust (Electrosviaz)	Carbolite Works

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